

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 PM-07 H-03 INR-10 L-03 NSAE-00

NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20 USIA-15 ACDA-19

MC-02 AID-20 IGA-02 OMB-01 EB-11 COME-00 TRSE-00

SAJ-01 IO-14 DRC-01 /160 W
----- 023773

P R 241000Z MAY 74

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 3968

SECDEF WASHDC PRIORITY

INFO CINCPAC

S E C R E T SECTION 1 OF 2 SEOUL 3335

JOINT EMBASSY/COMUSK MESSAGE

EO 11652: GDS

TAGS: MASS, KS

SUBJECT: OUTSTANDING MILITARY ASSISTANCE/MILITARY PROCUREMENT
ISSUES

REF: A SEOUL 3134 B. SEOUL 3053 C. SEOUL 2684

SUMMARY: MND HAS BEEN PRESSING FOR USG RESPONSE TO
SEVERAL MAJOR MAP MILITARY PROCUREMENT MATTERS. EMBASSY/COMUSK
BELIEVE THAT WE SHOULD RESPOND TO ROKG REQUESTS ALONG LINES
RECOMMENDATIONS CONTAINED THIS MESSAGE.

1. IN PAST WEEKS MND HAS BEEN PRESSING STRONGLY FOR
USG RESPONSE ON SEVERAL MAJOR MAP MILITARY PROCUREMENT
MATTERS.

2. LATEST DISCUSSION WAS MAY 21 MEETING BETWEEN MND
ASST. MINISTER PAIK SEOK CHU AND JUSMAG CHIEF. DISCUSSION
COVERED FY 74 MAP LEVELL, O&M QUESTION, AND
MAJOR ROK MILITARY PROCUREMENT REQUESTS. THESE

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INCLUDE F4E PROCUREMENT, TOW FOREIGN MILITARY SALES

CREDIT CASE, STANDARD MISSILE PROCUREMENT AND AIM-9E PROBLEM. PAIK ALSO BROUGHT UP QUESTION OF ROK PROCUREMENT OF OERLIKON 35 MM AA GUNS WHICH BEING REPORTED SEPARATELY.

3. ON QUESTION OF FY 74 GRANT LEVEL, APIK WAS TOLD THAT PROSPECT LOOKED BLEAK AND THAT THERE WILL BE FURTHER REDUCTION IN LEVEL BELOW THAT ALREADY CONVEYED TO ROKG. ON QUESTION OF FY 74 O&M, PAIK TOKD BY JUSMAG CHIEF THAT IT WOULD BE PRUDENT TO EXPECT LITTLE OR NO O&M FOR FY 74. PAIK DID NOT REACT STRONGLY, INDICATING THAT MAJOR MND CONCERN NOW IS TO GET FIRM FIX ON HOW MUCH GRANT ASSISTANCE WILL BE AVAILABLE SO THAT MND CAN TAKE APPROPRIATE ACTIONS TO COMPENSATE. PAID INDICATED MND WILL BE REQUESTING FUNDS TO COMPENSATE FOR O&M SHORTFALL IN SUPPLEMENTAL BUDGETARY REQUEST LATER IN YEAR.

4. HOWEVER, PAIK WAS EMOTIONAL AND ADAMANT IN CONVEYING SENSE OF URGENCY WHICH EXISTED WITHIN MND, JCS, AND BLUE HOUSE REGARDING MAJOR PROCUREMENT ITEMS WHICH KOREANS HAVE ALREADY REQUESTED FROM US AND NEED FOR INCREASED OUTYEAR FMS CREDITS. PAID SAID BLUE HOUSE COULD NOT UNDERSTAND MND'S INABILITY TO SECURE REQUISITE INFORMATION ON COST AND AVAILABILITY AND TO BEGIN PROCUREMENT PROCESS.

5. FOLLOWING IS SUBSTANCE OF PAIK'S COMMENTS RE SPECIFIC MAJOR PROCUREMENT PROBLEMS:

A. F4ES: PAIK STRESSED THAT ROKG ANXIOUSLY WAITING FOR LETTER OF OFFER ON F4ES. HE REQUESTED THAT LETTER BE EXPEDITED AND PRESENTED TO ROKG NO LATER THAN THE END OF MAY. PAIK STATED THAT FIRM DECISION HAS BEEN MADE TO PURCHASE ONE F4E SQUADRON PRODUCED IN U.S. AND TO REQUEST FMS CREDIT FUNDING FOR THEIR PURCHASE. REQUIRED ADDITIONAL AIRCRAFT WILL BE ASSEMBLED IN ROK UNDER JOINT VENTURE ARRANGEMENT WITH MCDONNELL-DOUGLAS. PAID INDICATED ROKG FULLY AWARE THAT FUNDING FOR JOINT VENTURE F4E ASSEMBLY WOULD HAVE TO BE DIRECT

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COMMERCIAL FINANCING. (DISCUSSION RE JOINT VENTURE IS ALREADY UNDERWAY BETWEEN ROKG AND MCDONNELL-DOUGLAS. COMPANY REPS HAVE INDICATED TO US INFORMALLY THEIR WILLINGNESS TO CONSIDER SUCH AN ARRANGEMENT.)

B. TOW FMS CASE: PAIK SAID THAT IN-DEPTH ANALYSIS OF TOW REQUIREMENTS HAS LED MND TO CONCLUSION ONLY SIX COMPANIES ARE REQUIRED. THEREFORE, IN

ADDITION TO THE TWO COMPANIES INCLUDED IN FY 74
PHASE II FMS CREDIT PROGRAM, ROKG WISHES TO
PURCHASE FOUR ADDITIONAL COMPANIES (18 PER COMPANY).
PAIK STRESSED MND MUST RECEIVE IN TIMELY FASHION
INFORMATION EARLIER REQUESTED CONCERNING PRICE,
AVAILABILITY AND FUNDING ARRANGEMENTS FOR TOW
PURCHASE. SAID THIS INFORMATION ESSENTIAL
SO THAT MND CAN MAKE PROPER BUDGETARY ARRANGEMENTS.

C. STANDARD MISSILES: PAIK INDICATED THAT
ROKG'S DESIRE TO PURCHASE 40 STANDARD MISSILES
REMAINS FIRM. MND HOPES THAT THESE CAN BE
PURCHASED FROM U.S. NAVY THROUGH FMS CREDIT. MND
WORKING DIRECTLY WITH GENERAL DYNAMICS CORP. TO
PURCHASE EIGHT LAUNCHERS. JUSMAG CHIEF POINTED OUT
FY 74 CREDIT LEVEL COULD NOT ACCOMMODATE
PURCHASE OF MISSILES. PAIK EXPRESSED UNDERSTANDING,
BUT SAID HE HOPED WE WOULD BE ABLE TO OBTAIN
ADDITIONAL FMS FUNDS FOR THIS. IF FMS CREDIT NOT
POSSIBLE, PAIK SAID ROKG PREPARED MAKE CASH PAYMENT.
HOWEVER, WOULD HAVE TO KNOW HOW MUCH THE 40 MISSILES
WOULD COST AND WHAT TERMS OF PAYMENT WOULD BE. PAIK
ALSO REQUESTED THIS INFORMATION ON PRIORITY BASIS.

D. AID 9E PROJECT: MND REQUESTS EARLIEST POSSIBLE USG
ACTION ON AID-9E PROJECT. AS WASHINGTON AWARE,
PHILCO FORD CORPORATION HAS INFORMED ROKG OF THEIR INTENT
TO STOP ACTIONS ON CURRENT CONTRACT EFFECTIVE 1 JUNE
74 UNLESS PAYMENT OF \$3.3 MILLION MADE PRIOR. IN VIEW
OF FACT WE ENCOURAGED ROKG TO GO FMS ROUTE ON THIS
PROJECT, THEY SIGNED CONTRACT IN AUGUST 1973 AND HAVE
BEEN PAYING \$12,000 MONTHLY INTEREST SINCE THAT DATE
FAILURE TO PROMPTLY APPROVE FMS CREDIT PREVIOUSLY
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REQUESTED AND IN CURRENT FY 74 PROGRAM, WOULD BE
EXTREMELY EMBARRASSING AND IMPOSSIBLE TO EXPLAIN
ADEQUATELY TO ROKS (PHILCO FORD CORPORATION HAS
ALREADY STOPPED SHIPMENT OF EQUIPMENT AND PARTS
AGREED TO IN INITIAL CONTRACT).

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IO-14 SAJ-01 DRC-01 /160 W

----- 023709

P R 241000Z MAY 74

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 3969

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S E C R E T SECTION 2 OF 2 SEOUL 3335

6. COMMENT: PAK CLEARLY UNDER HEAVIEST PRESSURE FROM BLUE HOUSE AND MND TO GET SOME MOVEMENT FROM US ON ROKG PROCUREMENT REQUESTS. ROKG DOES NOT UNDERSTAND CONTINUING DELAY ON OUR PART IN EVEN PROVIDING COST AND AVAILABILITY INFORMATION REQUESTED BY MND. THIS IS CREATING SERIOUS IRRITATION AT HIGHEST LEVELS OF ROKG. RECOGNIZE THAT SOME OF ROKG REQUESTS REQUIRE MAJOR DECISIONS ON OUR PART AND CANNOT BE ACTED UPON INSTANTLY AS ROKG OBVIOUSLY WISHES. HOWEVER, BELIEVE IT ESSENTIAL THAT WE RESPOND SOONEST TO AT LEAST SOME OF THE ROKG REQUESTS LISTED ABOVE.

7. TO MEET OUR NEEDS HERE, EMBASSY/USFK WOULD RECOMMEND THE FOLLOWING APPROACH:

A. WASHINGTON AGENCIES PROVIDE SOONEST PROCUREMENT INFORMATION REQUESTED BY MND ON TOW FMS CASE AND ON THE STANDARD MISSILES AND AT SAME TIME, INFORM MND OF RELEASE PHASE II FMS CREDIT FUNDS FOR AID-9E MISSILES. (IF WE COULD ALSO INFORM MND OF RELEASE ALL OF PHASE II FY 74 FMS CREDIT FUNDS THIS WOULD DO MUCH TO MEET OUR MOST PRESSING PROBLEMS IN DEALING WITH MND.)

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B. EXPEDITE CONSIDERATION OF ROKG REQUEST FOR F4E LETTER OF OFFER. AS WE SEE IT, THERE ARE TWO QUESTIONS INVOLVED: FIRST IS POLICY DETERMINATION

THAT WE WILL ALLOW SALE OF F4ES TO ROKG; SECOND IS QUESTION OF FMS FUNDING. WITH REGARD TO POLICY CONSIDERATION, EMBASSY/USFK BELIEVE THAT WE SHOULD INFORM ROKG NOW THAT WE HAVE NO OBJECTION TO SALE OF F4ES. WE HAVE ALREADY EXPLAINED BACKGROUND ROKG DECISION ON THIS. QUESTION OF HOW MANY F4ES ROKG WILL PROCURE STILL UNDER DEBATE WITHIN GOVERNMENT. BUT AT MINIMUM KOREANS WANT TO PURCHASE ONE SQUADRON NOW AND TO EVENTUALLY CO-PRODUCE ONE OR TWO ADDITIONAL SQUADRONS IF JOINT VENTURE ARRANGEMENT WORKS OUT. ON QUESTION OF FMS FINANCING, BELIEVE THAT ROKG WILL RELUCTANTLY ACCEPT AN INITIAL USG RESPONSE INDICATING THAT EARLY ANSWER NOT POSSIBLE SINCE WE MUST STUDY ROKG REQUEST AND WEIGH IT IN TERMS OF OTHER COMPETING PRIORITIES.

8. ACTION REQUESTED:

A. REQUEST THAT WASHINGTON AGENCIES ACT IMMEDIATELY ALONG LINES RECOMMENDED IN PARA 7A ABOVE.

B. WITH REGARD TO RECOMMENDATION RE F4ES, REQUEST WASHINGTON GIVE PRIORITY ATTENTION THIS PROBLEM AS REQUESTED IN PARA 7B ABOVE AS WELL AS AUTHORIZE US NOW TO INFORM MND THAT EARLY REPLY WILL BE FORTHCOMING.
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